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IN THIS EDITION ...

The kingdom believes information and communications technology can play a vital role in promoting socio-economic development.

Saudi Arabia's economic transformation is heavily focused in ensuring that its key burgeoning cities are among the most modern, network-ready metropolises in the world.

Indeed, the capital city of Riyadh is not only keen to lead the nation, but also the region, in becoming digitally savvy and technologically advanced to stay ahead of rapid changes.

The 23rd session of the Council of Arab Ministers of Communications and Information Technology designated Riyadh as the Arab Digital Capital, acknowledging its prominent role in adopting and promoting the use of digital technologies.

The city aims to enhance socio-economic development, advance healthcare, improve education, and to ultimately increase community welfare, which has helped the ICT sector contribute as much as 4% to Saudi Arabia's GDP.

"Saudi Arabia is the region's largest ICT market and ranks 13th globally, with a value of USD 28.7 billion in 2019 and strong growth in both the consumer and enterprise segments," according to the Ministry of Communications and Information Technology.

"Supported by a young and tech-savvy population, Saudi Arabia is a market of early technology adopters, with one of the highest social media penetrations in the world. Mobile subscribers stood at 43.8 million in 2019, representing a 129% penetration of the total population."

In addition, the communications ministry launched in December a five-year strategy to boost the ICT sector's growth by 50% and elevate its contribution to GDP by USD 13.3 billion in a few years.

New projects to increase renewable energy, a new competition to allow new mobile virtual network operators (MVNOs) to provide services in the kingdom, and focus on fourth-generation industrial projects are all helping improve the country's digital economy.

Meanwhile, in January, the Saudi Cabinet approved a memorandum of understanding for co-operation in the field of space science and technology between the Saudi and Japanese governments, as part of the kingdom's efforts to join the space race.

The Saudi government's early focus and investment in the digital economy is going to be a key strength going forward as data and new technologies alter all sectors of the domestic and global economy.

ECONOMIC TRENDS

The 2020 budget will finance social infrastructure projects and stimulate further economic activities in line with Vision 2030.

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OIL AND GAS

The world's major producers are determined to prevent a flood of oil in the global market, especially after prices posted a double-digit growth in 2019.

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RENEWABLE ENERGY

The creation of a dedicated office and a financing programme specifically for renewable energy projects highlight the kingdom's goal to transition to a low-carbon future.

Read More...

MANUFACTURING

Several partnerships with investors in the private sector are helping the kingdom secure its position as an industrial hub in the region.

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SME

Latest survey indicates the kingdom is the fastest growing country in MENA in terms of deals made and funds raised for emerging companies.

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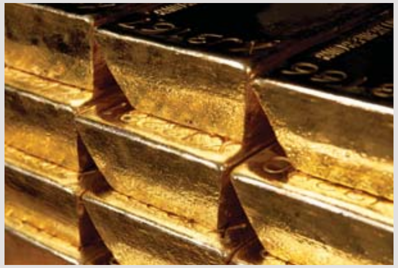

COMMODITY

Price outlook for assets such as gold, copper and aluminium are expected to be strong on the back of improving market conditions after a US-China trade deal.

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SAUDI ECONOMY GETS FRESH BOOST WITH SAR1TRN BUDGET

The Saudi economy was driven by wholesale and retail trade, which expanded 8%, while finance, insurance, real estate and business services grew 6.28% in the third quarter, according to latest available data from the General Authority for Statistics.

On the whole, the economy declined 0.46% in the third quarter from a year earlier, as Saudi Arabia complied with the Organisation of Petroleum Exporting Countries (OPEC) production cut, government data showed.

The data came after the Saudi government in its 2020 budget slashed its forecast for economic growth to 0.4% in 2019 from 0.9%, with growth hit by lower oil prices and reduced crude production agreed by OPEC nations and producers outside the exporting group.

However, the temporary blip will not impact the kingdom's long-term growth prospects, which remain promising, especially as it embarks on a transformative path of restructuring.

The SAR 1 trillion 2020 budget aims to jumpstart economic activity and build on the progress made as part of the Saudi Vision 2030 initiative.

The government has set out firm goals for the 2030 vision while maintaining financial and economic stability as an essential pillar of sustainable economic growth.

"The financial and economic results and indicators confirm that we are positively making progress and we are constantly reviewing and updating the implemented policies, procedures, and programmes to ensure their effectiveness and correct their course whenever need arises in order to achieve the goals of the vision with taking into consideration the global financial and economic conditions and what is in the interest of the homeland and citizen," HRH the Crown Prince said as the government unveiled the 2020 budget.

The government plans to launch 20 projects this year in partnership with the private sector. These projects will focus on water, sanitation, education and health sectors, and privatisation of a number of services, in an effort to reduce the burden on public finances and raise efficiency in the private sector, according to Mohammed bin Abdullah Al-Jadaan, the minister of finance.

"We reaped the benefits of the spending efficiency programme, as a result of which there was an abundance of government expenditures during the year in which we achieved control of deficit levels in the economic side, and there was very significant support and empowerment for the private sector, which contributed to the sector's massive demand for infrastructure projects that were proposed by the government in the mining, water, energy and wastewater treatment sector," the minister said. "This has resulted in a reduction in the level of government spending and the promotion of non-oil GDP growth well, especially with regard to the growth of GDP for the private sector."

NEW TRADE CONDUITS

The kingdom is also investing heavily in boosting its infrastructure, which will help accelerate trade and economic activity.

In December, the government's Supervisory Committee for Privatization of Transport Sector approved the signing of concession contracts with port operators DP World and Red Sea Gateway Terminal (RSGT), to develop and operate the container terminals at the Jeddah Islamic Port. The project will activate a memorandum of understanding signed by the Saudi Ports Authority (Mawani) last February.

"The concession contracts are anticipated to have direct positive impact on the Saudi economy through increasing the level of investments and ensuring the adoption of international best practices in ports' operations," the companies said. "Additionally, they are expected to create numerous direct jobs within the ports and the logistical services sectors, as well as indirect job opportunities through other relevant sectors within the supply chain."

Saudi Arabia's non-oil private sector also continued to see robust activity and is anticipating more growth in 2020. The latest purchasing managers' index from Markit shows Saudi Arabia's non-oil private sector remained on a solid footing in December. Business activity, new orders and employment all expanded since the previous month.

"Total new business volumes increased sharply in December, but the pace of expansion moderated from the four-and-a-half year peak seen during November," Markit said.

Employment numbers increased for the ninth consecutive month across the non-oil private sector, albeit at only a marginal pace, Markit noted. "Greater staff recruitment partly reflected rising pressure on business capacity, as suggested by a renewed increase in backlogs of work at the end of 2019."

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OIL PRODUCERS VOW TO KEEP CRUDE SUPPLY IN CHECK

The Organization of the Petroleum Exporting Countries (OPEC) and its allies have worked in tandem last year to ensure oil prices remained robust, and they are widely expected to continue supporting oil markets in 2020 amid continued global oversupply.

In December, OPEC and non-OPEC countries decided on an additional reduction of 500,000 barrels per day (bpd), which would lead to total adjustment of 1.7 million bpd.

"In addition, several participating countries, mainly Saudi Arabia, will continue their additional voluntary contributions, leading to adjustments of more than 2.1 million bpd," OPEC said in a press release.

OPEC crude prices rose 31.8% in 2019 to reach just under USD 68 per barrel by the end of December.

Benchmark Brent crude is forecast to average USD 63.07 per barrel in 2020, up marginally from last month's USD 62.50 estimate, a Reuters survey of 38 economists and analysts showed.

OPEC expects non-OPEC oil supply to grow by 2.17 million bpd for an average of 66.46 million bpd, on the back of growth in the US, Brazil, Norway, Canada, Australia, Russia and Kazakhstan.

"The 2020 non-OPEC supply forecast remains subject to many uncertainties, mainly the trend of investment discipline by US independents, the timing of debottlenecking of pipeline constraints in Canada, drilling and completion activity in the US, and Mexico's efforts to overcome natural decline," OPEC noted.

The International Energy Agency sees total US oil production growth slipping to 1.1 million bpd in 2020 from 1.6 million bpd in 2019. US output growth rate has been declining as producers reduced the number of oil rigs operating for a fourth quarter in a row for the first time since 1999.

OIL DEMAND

Meanwhile, global oil demand rose a moderate 0.98 million bpd in 2019, as macro-economic indicators cooled in major economies. Growth mainly came from Asia Pacific and the Americas, while most developed economies saw muted expansion.

"In 2020, global oil demand is expected to grow by 1.08 million bpd, with the OECD growing by 0.07 million bpd. OECD Americas is anticipated to be the only OECD region in positive demand growth territory next year, supported mainly by petrochemical capacity additions," OPEC said in its latest report.

In the non-OECD region, oil demand growth is projected to be around 1.01 million bpd, with growth projected to improve in Other Asia, Latin America and the Middle East. Indeed, the transportation and petrochemical sectors are expected to continue leading oil demand growth in 2020.

Oil's prospects look brighter as the International Monetary Fund expects growth to pick up to 3.4% in 2020 on the back of improved economic performance in a number of emerging markets in Latin America, the Middle East, and emerging and developing Europe.

"Yet, with uncertainty about prospects for several of these countries, a projected slowdown in China and the United States, and prominent downside risks, a much more subdued pace of global activity could well materialise," the IMF said.

ARAMCO DEBUT

Saudi Aramco enjoyed an impressive listing debut on the Saudi Tadawul in December, ending the year 10% higher than its debut to emerge as the world's most valuable listed company with market cap of SAR 1.88 trillion.

Aramco's production in November stood at 9.85 million bpd, slightly higher than its third quarter average of 9.45 million bpd. In December, Saudi Arabia and Kuwait also said they had planned to resume production at the two fields in the Saudi-Kuwaiti Partitioned Zone.

"With the signing of this new accord, both parties have reached consensus that now is the right time to resume production in this zone," Saudi Aramco president and chief executive Amin Nasser said in a statement.

The company also continues to boost its all-round integrated production capacity and completed, through its subsidiary Aramco Overseas Company B.V., the acquisition of 17% of Hyundai Oilbank from Hyundai Heavy Industries Holdings, for approximately USD 1.2 billion.

"The investment in South Korea's Hyundai Oilbank supports Saudi Aramco's downstream growth strategy of expanding its global footprint in key markets in profitable integrated refining, chemicals and marketing businesses which enable Saudi Aramco to place crude oil and leverage its trading capabilities," Aramco said in a statement.

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RENEWABLE ENERGY PROVES TO BE SAUDI'S INVESTMENT ALLURE

Saudi Arabia is pushing ahead with its ambitious renewable energy programme in the new year.

In January, the Renewable Energy Project Development Office (REPDO) of Saudi Arabia's Ministry of Energy, said it had issued a request for qualifications (RFQ) for the third round of the kingdom's National Renewable Energy Program (NREP), which features four solar photovoltaic (PV) projects with a combined generation capacity of 1,200 megawatts (MW).

The third round will be divided into two categories. Category A targets smaller companies, and includes the Layla 80 MW solar PV and Wadi Al Dawaser 120 MW solar PV projects, while Category B features the larger Saad 300 MW solar PV and Ar Rass 700 MW solar PV projects.

Project in the third round must carry a minimum of 17% of local content to boost the prospects of domestic and local players in the country's nascent renewable energy sector. The request for quote for the projects end on 6 February 2020.

QUEST FOR CLEAN ENERGY

REPDO has been rolling out renewable energy projects since 2017, when it launched the included Sakaka 300 MW solar PV project, which is now connected to the national electricity grid, and the Dumat Al Jandal 400 MW wind project, currently under construction.

In 2019, REPDO launched the second round of the NREP, featuring six solar PV projects with a combined capacity of 1,470 MW.

"Saudi Arabia's National Renewable Energy Program (NREP) is a long-term, multifaceted renewable energy programme designed to balance the domestic power mix, whilst implementing KSA's Nationally Determined Contribution (NDC) to avoid carbon and other greenhouse gas emissions, directly supporting Saudi Arabia's Vision 2030," according to REPDO. "The National Renewable Energy Program aims to substantially increase the share of renewable energy in the power energy mix."

Meanwhile, Saudi Electric Services Polytechnic (SESP) signed two agreements with Danish company Maersk, for the training in renewable energy and heavy equipment in the kingdom, as the company establishes a laboratory for this field in SESP's branches.

Like the rest of the world, the kingdom is looking to reduce its carbon footprint and generate sustainable energy, while at the same time utilising its crude oil and natural gas resources for exports to other countries.

"It is perfectly possible to generate sufficient cheap, reliable energy from renewable sources," IRENA director-general Francesco La Camera said recently at the International Energy Forum in Riyadh. "Not only is it possible, but it is also our best option, as it would bring higher socio-economic benefits than business as usual, and it would allow us to effectively address climate change."

MUTJADEDA

Last year, the Saudi Industrial Development Fund launched Mutjadeda, a programme designed to fund renewable energy component manufacturers and project developers with a package of incentives. The programme works on collaboration with related parties to maximise local content in this sector.

The programme offers financing on renewable energy component manufacturers with longer repayment period of up to 20 years, longer grace period of up to 36 months, financing of up to 75% of project cost and alignment with REPDO to meet the demand requirements.

For financing of independent renewable energy production projects, Mutjadeda offers a repayment period of up to 20 years and grace period of up to 36 months. For financing of renewable energy production projects for the industrial, commercial, and other sectors, the repayment period is 12 years with a 36-month grace period.

In another landmark move, Saudi Arabia Electricity Co. entered into a contract to install and commission 10 million smart meters to consumers across the country. The SAR 9.5 billion contract will ensure 3.5 million meters are purchased from local manufacturers and a third of the project's value will be sourced from local content.

The project was awarded to a consortium of Etihad Etisalat Co. and Al-Fanar Construction for the central and eastern parts of the kingdom, while a branch of China Electric Power Equipment and Technology (SGCC) was awarded the project for the western and southern areas of the country.

Smart meters can help monitor and rein in power consumption more effectively.

Consumers will be able to see their usage and spend, as well as explore other features such as daily, weekly or monthly comparisons. It could also help consumers take simple steps to reduce their energy usage and conserve energy.

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OUTLOOK BRIGHT FOR SAUDI MANUFACTURING SECTOR

A number of new manufacturing initiatives are being pursued by the Saudi government as part of the National Industrial Development and Logistics Program (NIDLP), focusing on industry, mining, energy and logistics to realise Saudi Vision 2030.

In October, the Saudi Arabian General Investment Authority (SAGIA) signed a memorandum of understanding with South Korea's GL Rapha Co., which will result in significant localisation of the company's pharmaceutical products, health supplements, biotechnology and medical devices operations in the kingdom.

As part of the USD 320 million agreement, GL Rapha – the parent company of Hankook Korus Pharm – plans to establish a facility in Saudi Arabia to manufacture 30 biotechnology products and launch five innovative products over the next five years.

"GL Rapha seeks to be one of the multinational biopharmaceutical companies to have manufacturing facility in Saudi Arabia," said Jae-Gan Whang, the company chairman. "GL Rapha is willing to innovate and support Saudi Arabia vision for 2030 to increase local manufacturing and biotechnology products and foster local talent."

The MoU aims to start GL Rapha's local manufacturing in the "bio-similar, monoclonal antibody, growth factor, pharmaceutical raw material" and reinforces its commitment to work with the Saudi government for a sustainable ecosystem that encourages innovation and investment in healthcare and Saudi talent development.

The company aims to invest SAR 1.2 billion in the initiative and create more than 300 high skilled jobs over the next few years.

MORE INVESTORS

Meanwhile, Sadara Chemical Company and Baker Hughes signed agreements wherein Sadara will supply feedstock chemicals to a Baker Hughes chemical manufacturing facility in PlasChem Park.

"We are excited to have signed these supply agreements with Baker Hughes, a step that will help them establish a strong presence in the booming industrial sector in Saudi Arabia. The competitive benefits that this relationship is going to bring to chemicals manufacturing in the kingdom are significant, and in complete alignment with our efforts at Sadara to enable downstream manufacturing opportunities in the kingdom, and with Vision 2030," said Dr Faisal M. Al-Faqeer, chief executive officer of Sadara.

"PlasChem Park is uniquely positioned to enable and support these opportunities for diversification of the manufacturing industry in Saudi Arabia, and we look forward to welcoming Baker Hughes as one of the park's first tenants."

The Saudi Arabian General Investment Authority (SAGIA) also signed a deal with a French solar tracker company Optimum Tracker to invest SAR 200 million in designing and manufacturing advanced solar panels. The rapid development of renewable energy sector has introduced a brand new high-tech manufacturing industry in the kingdom and created a demand for high-paying jobs.

The National Industrial Strategy, part of the National Industrial Development and Logistics Program (NIDLP), also aims to stimulate industrial growth by moving beyond developing primary products. It seeks to explore projects that add value and go beyond the export of raw materials.

"This represents a major transformation in industrial policy and methodology, which aimed at driving progressive growth of production through public investments across the value chain, knowing that the previous methodology was no longer sufficient," according to the NIDLP Book. "In the future, focus should be on the end of the value chain (i.e. final products), especially on complex products, such as vehicles and renewable energy sources, as well as medical and aviation supplies."

MANUFACTURING LICENSES

SAGIA issued 45 manufacturing foreign investor licenses in the second quarter of 2019, out of 291 licenses, as investors eyed the kingdom's industrial bases and vastly improving infrastructure.

"These figures demonstrate the clear momentum we are seeing in foreign investment in Saudi Arabia," said Majed Al Qasabi, minister of commerce and investment. "We continue to pursue further reforms to make it easier for international investors to play a role in our economic transformation in the years to come – bringing jobs, growth and opportunity to Saudi citizens."

The Saudi Industrial Development Fund (SIDF) also expanded financing for the mining sector, which is a key and promising development area for the government. SIDF will contribute to financing mining projects for all types of minerals with a financing rate of 75% of the project's costs.

The funding has also been expanded to include the final stage of the delineation process, which includes drilling and mining, in addition to

backing support services companies that add value to the sector.

Investments in manufacturing are vital as the sector is among the biggest segments of the economy and employ a large number of workers.

The manufacturing sector contributed nearly 840,000 jobs in the second quarter of 2019, making it the fourth largest job creator in the economy after construction, wholesale and retail trade, and administrative and support service, according to the General Authority for Statistics.

There were more than 100,000 Saudi manufacturing establishments by the second quarter of 2019, the second biggest concentration of companies in the kingdom after wholesale and retail trade.

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2019 MARKS HISTORIC YEAR FOR START-UP FUNDING IN SAUDI

Saudi Arabia emerged as one of the biggest markets for funding in the small and medium enterprises (SME) space in 2019, according to a new report.

It was a great year for investment in start-up in MENA, as most Arab countries including Saudi Arabia, launched a number of initiatives and created new investment opportunities to encourage a start-up ecosystem in the region.

Indeed, 2019 marked another record year when tracking the number of investments – now up to 564 raising USD 704 million, higher than any previous year, with total funding increasing by a compounded annual growth rate of 47% and deals growing by a CAGR of 60% over the past decade, according to Magnitt research.

The report noted that Saudi Arabia was the fastest growing country in the region in terms of number of deals made and funding raised. The kingdom saw 68 deals in 2019, a 4% jump over the previous year, beating both Egypt (which saw a 1% decline in deals), and the UAE (which fell 3%).

The kingdom's start-ups raised USD 66.6 million last year, a 3% increase over 2018, making it the fastest growing country in terms of monies raised, Magnitt noted.

"Saudi Arabia has shifted up in the GCC and MENA ranking by both number of deals and total funding," Magnitt said in its report. "There are three main reasons – first, the realisation of the importance of SME investment; second, the availability of risk capital, resulting in creation of new or larger VC funds and third, embracing entrepreneurship as a respectable career path. We expect the invested capital to increase very significantly in the next five years."

Magnitt underscored that 2020 could see investments in MENA-based start-ups reaching USD 1 billion as several industries, including e-commerce and transport, in Saudi Arabia and the wider region, are heavily fragmented, and investors and start-ups will look to consolidate to gain a competitive edge.

START-UP SCENE

The Saudi start-up scene is especially thriving given the market's strong underlying fundamentals and a booming venture capital scene.

"Saudi Arabia benefits from being one of the largest populations and economies in the MENA region, with high mobile and Internet

penetration. This offers an ideal testing ground for entrepreneurs to locally start ventures, as well as a key market for international companies to scale into," Philip Bahoshy, CEO and founder at Magnitt, told Refinitiv.

The Saudi start-up scene is also being driven by deep-pocketed investors, such as the Public Investment Fund (PIF).

In December, PIF launched a new USD 1 billion 'Jada' initiative, which will invest in venture capital and private equity funds geared towards small businesses.

"Jada is the first instrument of its kind in the kingdom," the PIF said in a statement. "It is a catalyst for small and medium enterprises, seeking to secure rewarding incomes, to ensure financial sustainability and support the kingdom's priorities in terms of supporting small and medium enterprises."

In October, Saudi Arabian General Investment Authority signed up with 18 venture capital firms based out of several countries in the areas of deep tech and property technology (protech), to spark an SME evolution in the kingdom.

"This is a huge leap for the kingdom, as we are opening doors for foreign venture capitals, while encouraging investors and entrepreneurs to branch out to KSA; especially after amending 60% of the licenses requirements and allowing 100% ownership for the foreign investors," said Sultan Mofti, SAGIA's deputy governor of Investment Attraction and Development.

The initiative will allow foreign start-ups endorsed by angel investors to obtain an Instant Entrepreneurship License from SAGIA with 100% foreign ownership within three hours. The two largest angel groups joining the initiative are Oqal Group and Dubai Angel Investors.

While start-ups and new technologies are key focus areas, the Saudi government is also eyeing opportunities in the agriculture sector. In January, the General Authority for Small and Medium Enterprises (Monshaat) launched an innovative programme to accelerate the production of dates in the regions of Ahsa, Madinah and Qassim.

The programme aims to develop SMEs through best practices in the agricultural sector, and give an existing sector incentives to find new innovations.

Monshaat will allocate SAR 3 million to 30 start-ups in order to stimulate and develop companies, according to Sami Al-Husseini, Monshaat deputy governor for Small and Medium Enterprises.

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COMMODITIES TO EXTEND RALLY AS TRADE WAR EASES

Commodity prices enjoyed a strong run last year, and there is a good chance the rally will continue as global trade tensions show signs of easing.

The S&P Global Commodity Index (GSCI) was up 17.6% in 2019 – its 10th strongest performance since 1990 and its best annual return since the height of the so-called commodity super cycle in 2007.

"Gold proved one of the most popular assets for investors in 2019. The S&P GSCI Gold posted its best performance since 2010, gaining 18.0%, driven by safe-haven buying powered by escalating geopolitical tensions, a protracted trade war, and quantitative easing by major central banks," S&P said.

"As more government bonds across the globe displayed negative yields throughout 2019, gold remains well positioned as a safe-haven alternative for investors going into the new year."

Indeed, gold's rally mirrored the risks in the financial markets due to trade tensions and investors focused on finding safe havens after equity markets globally turned frothy and went into overvalued territory. Gold prices rose 18.3% to finish the year at USD 1,517.27 per ounce.

Another key reason is lower interest rates, which continue to be bullish for metal prices.

Gold will likely continue to be in favour as geopolitical tensions have risen. Central banks bought 156.2 tonnes to reserves in the third quarter, taking their purchases in the first nine months of 2019 to 547.5 tonnes on a net basis, 12% higher year on year, according to the World Gold Council.

"We see gold appreciating in 2020, albeit at a slower pace than in 2019, when it was up 18% in the year to October," according to Swiss bank UBS Inc. "Muted economic growth and now lower interest rates reduce the opportunity cost of holding gold, which does not offer a yield. Political uncertainty could send safe-haven flows into gold. And since gold is priced in USD, a weaker dollar would in turn push gold prices higher."

The World Bank expects gold prices to rise by 5.8% this year on the back of more expansionary monetary policies and robust physical demand for the yellow metal.

"The risks to the precious metals price outlook are on the upside and reflect heightened uncertainty and weak growth prospects of the global economy," the World Bank said in its latest commodity outlook.

BASE METALS

Copper, often seen as a bellwether for the global economy, did not perform as well in 2019, rising 6.3% during the year.

Global industrial demand has been dampened by increased concerns of a global economic slowdown. Prices turned lower in May when the United States further hiked tariffs on Chinese exports, which elicited retaliation by China.

Manufacturing activity in China, which accounts for half of global copper consumption, experienced a slowdown as metal-intensive sectors remained weak (e.g. construction, electricity, and transport). Weak demand has more than offset recent production disruptions at major copper mines.

"Copper prices are projected to increase moderately by 2.3% in 2020 as the recent fiscal stimulus in China and new rules on local government capital financing take effect, thereby boosting infrastructure investment," according to the World Bank.

Aluminium prices also rose a minor 1.17% during 2019, amid oversupply issues and subdued consumption.

"Beyond 2019, we forecast the market to be in surplus out to 2022," according to research firm Wood Mackenzie. "The dynamic between the China and rest of the world balance is changing. We expect China to move into deficit on modest output growth while the world ex-China will swing to a surplus over the next three years. Further out the aluminium industry will face the twin challenges of climate change and how to deal with rising availability of scrap."

Soft commodities are also looking up after a few years of tepid growth. The World Bank expects agricultural prices to stabilise in 2020 on reduced crop plantings, and weather impacted by climate change.

"A resolution of trade tensions presents an upside risk for some commodities, such as soybeans and corn, while lower energy prices could reduce fuel costs and fertiliser prices, reducing prices of energy intensive crops such as oilseeds," the World Bank noted.

However, the bank warns that commodity prices may come under pressure if the US dollar continues to strengthen. The currency's strength – up nearly 15% during the past 18 months (measured against a broad basket of currencies) – has already had a dampening effect on prices.

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